

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ROWAN WATER, INC.,)	
A NON-PROFIT CORPORATION INCORPORATED)	
PURSUANT TO CHAPTER 273 OF THE KENTUCKY)	
REVISED STATUTES, WHICH HAS ITS PRINCI-)	
PAL PLACE OF BUSINESS IN ROWAN COUNTY,)	
KENTUCKY FOR: (1) A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY,)	9497
AUTHORIZING AND PERMITTING SAID)	
CORPORATION TO CONSTRUCT AN ADDITIONAL)	
WATER WORKS DISTRIBUTION SYSTEM; AND)	
(2) APPROVAL OF THE PROPOSED PLAN OF)	
FINANCING OF SAID PROJECT)	

O R D E R

By Order entered July 8, 1986, in this matter, Rowan Water, Inc., ("Rowan Water") was granted a certificate of public convenience and necessity for construction of distribution system extensions to serve 340 applicants for service. The \$1,753,000 in project funds secured by Rowan Water exceeded the needs for its new project by about \$201,000. This surplus presented Rowan Water with an opportunity to extend service to additional residents of Rowan County. The Commission recognized this opportunity and approved Rowan Water's \$1,753,000 plan of financing with the stipulation that its additional construction would also require approval of the Commission.

Rowan Water's request for Commission approval of additional construction was filed February 25, 1987, in the form of a letter describing the proposed construction and its estimated costs. The

construction approved by the Order entered July 8, 1986, is almost completed and the pipeline contractor for that work will, on the basis of a construction change order, perform the additional construction for the same unit prices as the completed work. The proposed construction will extend water service to about 60 applicants located partly in the northern most and partly in the eastern most areas of Rowan County.

The construction plans and specifications prepared by Kennoy Engineers, Inc., of Lexington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, after consideration of the record and the application filed February 25, 1987, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed main extensions include approximately 63,500 feet of pipeline construction. Pipe diameter is primarily 4-inch; but the work also includes some 3-inch mains. Rowan Water is reminded that dead-end lengths of pipe sizes less than 3-inch are limited by 807 KAR 5:066 (11) as follows: 250 feet for 2-inch, 200 feet for 1 1/2-inch and 100 feet for 1-inch.

3. The construction costs will total about \$163,000 and the project scope including contingencies, design fees, construction supervision and other indirect costs will total about \$201,000.

The funds approved by Order entered July 8, 1986, will be adequate to pay for this work and should be approved for this purpose.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of this Commission.

5. Rowan Water should furnish duly verified documentation of the total costs of this construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

6. Rowan Water should require the Engineer to provide full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is in conformance with the best practices of the construction trades involved in the project.

7. Rowan Water should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

8. The funds remaining from those approved by the Order entered July 8, 1986, in this matter (approximately \$201,000) are the funds to be utilized by Rowan Water for financing the construction herein proposed. The use of said funds by Rowan

Water for this purpose is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its services to the public and will not impair its ability to perform these services, is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Rowan Water be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the plans and specifications of record filed February 25, 1987.

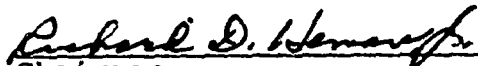
2. Rowan Water's method for financing the proposed construction be and it hereby is approved.

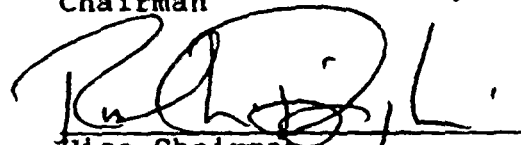
3. Rowan Water shall comply with all matters set out in Findings 4 through 8 herein as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing authorized herein.

Done at Frankfort, Kentucky, this 30th day of March, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director